

COLOMBIA

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The economic recovery accelerated in 2003 after the slow trend of 1999 – 2001, with higher-than-expected GDP growth of 3.7% versus 1.7% in 2002. The mining sector contribution was important – up 12.5% vs a 2.6% fall the year before – with increased production and exports of coal, gold and ferronickel, and higher prices. Other dynamic sectors were construction, banking, industry and commerce. Foreign investment in mines and quarries, including coal, amounted to US\$556 million compared with a revised figure of US\$466 for 2002. International reserves in 2003 remained at the 2002 level of US\$10.8 billion.

The consumer price index continued a downward trend, for the fourth year in a row, at 6.5% in 2003 versus 7.0% in 2002. The PPI came to 5.7% in 2003, a sharp drop from 9.3% in 2002. Government proposals to limit the global fiscal deficit of the public sector were part of a constitutional referendum held in October, which missed approval, albeit by a small margin of votes. In consequence, legislative proposals were presented to Congress for deliberations at the end of the year, targeting a goal of 2.8% of GDP.

Unemployment continues at a high level of 14.4% although this was a reduction from 15.7% in 2002 and well down from the 2000 peak of 19.5%. Even though much remains to be done in the social area, there is national and international recognition that significant improvements have been achieved under the policy of 'democratic security' of President Uribe. As regards security, murder rates are down 20%, kidnappings down 39% and insurgent groups have seen their numbers and their areas of influence significantly reduced, including thousands of deserters for whom special re-insertion programmes have been put in place. The strong economic recovery, particularly in construction and agriculture, have started to impact favourably on employment figures. Uncharacteristically in the country's political arena, the popularity of President Uribe remains very high after one and a half years in office, with 70% approval.

A major 2003 government drive to restructure state entities aiming at less bureaucracy, higher performance and reduced costs was basically complete at the end of the year. In the mining sector, this restructuring added to the Geological Service (Ingeominas), the mining service functions (concessions, cadaster, registry) formerly with Minercol, which has been dissolved. The restructured entity has ambitious plans for a large increase in basic geology coverage, facilitating access to information electronically and otherwise, as well as re-engineering outdated mining service administrative processes and updating lagging technology.

Oil

With no significant discoveries, oil production continues on a declining trend, from an all time high of 830.000 bbl/d in 1999: production in 2003 was 541.332 bbl/d compared with 578.144 bbl/d in 2002. Oil exports during 2003 were 26% of total exports, worth US\$3.38 billion, versus US\$2.8 billion in 2002. Proven reserves were down, from 1.84 billion bbl at end-2002, to 1.54 billion bbl by end-2003.

Coal

Coal is second to oil in export value and showed a 25% production increase, from 39.5 Mt in 2002 to 49.3 Mt in 2003 (Table 2). Coal also benefited from higher prices. The two largest coal-mining operations, Cerrejon Norte (BHP Billiton, Amcoal, Glencore consortium) and La Loma (Drummond) add up to 67% of Colombian production. Exports reached a record 45.3 Mt, with a value of US\$1.45 billion, or 10.9% of total country exports.

Nickel

Output of nickel in ferronickel from Cerro Matoso (BHP Billiton) was 47,890 t in 2003 compared with 44,000 t in 2002, close to a 9% increase. Production in 2003, which is all exported, corresponded to 88% of the projected capacity of 120 Mlb/y of nickel contained. The export value reached US\$423.9 million, boosted by higher production and price levels.

Precious Metals

Registered gold production more than doubled, from 20.8 t in 2002 to 46.5 t in 2003, with a value of US\$543.6 million. Qualitatively, this massive increase can mostly be attributed to, on the supply side, the incentive of significantly higher gold price levels coupled with the peso devaluation, which resulted in a local currency gold price increase in the order of 70% in 2003 (some 70% of Colombian gold output is deemed to be produced by small and subsistence miners). On the demand side, and because of the known economic problems in neighbouring countries, important quantities of primary gold that would normally be purchased informally, made into jewellery, and smuggled out of Colombia unreported, were, instead, sold to refiners and so appeared in local statistics. Nevertheless, real primary gold production figures are an unknown lower number, because of suspected non-negligible amounts of recycled gold included in the registered figures.

The country's improving security situation encouraged greater exploration activity in 2003. Greystar Resources Ltd restarted a diamond drilling and geological studies programme that had been suspended over three years ago. By the end of 2003, drilling logged 9,751 m in 33 holes. The total adds up to 61,751 m in 214 holes. A feasibility study, including metallurgical and base line studies, is to be completed during second half of 2005.

Silver production rose from 6.9 t in 2002 to 9.5 t in 2003 (+37%). Platinum production increased from 661 kg to 828 kg (+25%).

Recorded emerald production increased from 5.4 Mct in 2002, to close to 9.0 Mct in 2003 (+67%). Notwithstanding this, the value of exports was lower at US\$76 million versus US\$92.1 million in 2002, a result of a significant drop in the international market price.

As can be appreciated, on the whole Colombia's mining production increased significantly in 2003 and, together with the impact of higher gold, nickel and coal prices, the value of mining exports was only second to oil, and the gap was narrowing (Table 1).

Table 1: Colombian mineral output

Commodity	2000	2001	2002	2003
Gold (kg)	37,018	21,813	20,798	46,513
Silver (kg)	7,970	7,242	6,941	9,511
Platinum (kg)	340	674	661	828
Emeralds ('000 ct)	8,454	5,499	5,390	9,000
Iron Ore ('000 t)	554	637	600	550 P
Nickel (t)	27,750	38,457	44,000	47,891
Coal (Mt)	38.1	43.9	39.5	49.3

Sources: Energy and Mining Planning Unit (UPME), Minercol, CMSA.

Table 2: Colombian coal production ('000 t)

Coal Basin	2000	2001	2002	2003
Guajira - Cerrejon Norte ¹	18,400	19,405	15,035	16,461
Guajira - Cerrejon Central (Patilla) ²	-	-	-	2,353
Guajira - Cerrejon Central ³ (Oreganal)	N/A	N/A	585	1,113
Guajira - Cerrejon Central ⁴	800	800	833	800
Guajira - Cerrejon Central ⁵	2,900	3,000	1,625	1,857
Cesar - La Loma ⁶	8,874	12,336	12,967	16,363
Cesar - Carbones del Caribe	2,020	1,916	1,722	2,310
Cesar - Carboandes	285	314	798	1,423
Cesar - Consorcio Minero Unido	750	713	810	1,023
Cesar - Small Producers	N/A	106	113	32
Inland - Small producers ⁷	4,113	4,850	5,022	5,581
Total	38,142	43,440	39,510	49,316

Sources: UPME, MINERCOL

1,2,3. Carbones del Cerrejon LLC. (Glencore - Amcoal - BHP Billiton)

4. Comunidad de El Cerrejon (mined by Carbones Colombianos)

5. Comunidad de El Cerrejon (mined by Carbones del Cerrejon LLC)

6. Drummond Ltd.

7. Approx. 25% of the inland small producers is metallurgical Coal.